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S E C R E T SECTION 01 OF 02 TEGUCIGALPA 000966

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TAGS: [PGOV](#) [PREL](#) [KDEM](#) [CVIS](#) [HO](#)

SUBJECT: TFH01: DE FACTO FINANCE MINISTER EXPRESSES CONCERN
OVER IMF DECISION, ZELAYA RETURNPHONE CONVERSATION WITH DE
FACTO FINANCE MINISTER

REF: A. TEGUCIGALPA 940

[1](#)B. TEGUCIGALPA 962

[1](#)C. TEGUCIGALPA 883

[1](#)D. TEGUCIGALPA 908

Classified By: Classified by Hugo Llorens for reasons 1.4 (b & d)

[1](#)1. (C) Summary: In a series of phone calls to the Consul General (CG) September 24, de facto Finance Minister Gabriela Nunez expressed worry over the deteriorating security situation since the unexpected return to Honduras of President Manuel &Mel8 Zelaya. She also angrily questioned the decision of the IMF to recognize the Zelaya administration and its reported plan to withdraw funds from the Honduran Central Bank. Nunez said de facto President Roberto Micheletti wanted to hear the U.S. position given the change in circumstances prior to his planned meeting with the presidential candidates, but he believed, based on a private approach to Zelaya, that the deposed President was refusing to accept democratic elections even if returned to power. CG encouraged Nunez to press Micheletti to engage in immediate, direct negotiations with Zelaya to find an end to this crisis. End Summary.

[1](#)2. (S) Nunez, following up on a conversation with the CG (ref A), reported that Micheletti wanted to know what the U.S. position was in the face of the changed circumstances following Zelaya's return. She said Micheletti had told her he had not had any direct contact with the Embassy, was about to go into a series of meetings, including with the presidential candidates, and wanted to know where we stood. (Note: Embassy has had contact with Micheletti through intermediaries close to the de facto president and direct contact on several occasions under the guidelines of the no contact policy. End Note.) CG replied that the Embassy was very concerned about the deteriorating security situation since Zelaya's return and the potential for violence. The position of the international community had not changed, though, and immediate, direct negotiation under the Arias process was the way out of the crisis. Despite Micheletti's negative personal impression of Arias, the Costa Rican President was still ready and willing to help bring the parties together if the de facto regime would only engage in good faith. CG pushed Nunez again to be creative about the kinds of controls that could be put on Mel to satisfy the

legitimate concerns of many in Honduras.

¶3. (C) Nunez said that Micheletti had sent de facto regime negotiator Arturo Corrales to talk to Zelaya (reported ref B). Corrales had reported back that Zelaya was now not willing to support elections if he returned to office. CG responded that Corrales was an unreliable go-between, and direct, public negotiations between the two leaders, either in San Jose or Honduras, in which Micheletti laid out his conditions for all to see, would be more productive. Zelaya's only condition, as expressed to the Secretary of State, was to return as President; all other conditions were negotiable. If Zelaya were seen to balk publicly now in the face of a genuine offer from the de factos that allowed him to return, it would greatly weaken his position with the international community. The U.S. and international community backed a negotiated solution entirely, and now was the time for Micheletti to act. She agreed to take this message to Micheletti.

¶4. (C) In a subsequent call minutes later, Nunez expressed frustration at the IMF's decision to recognize the Zelaya administration and to "withdraw USD 105 million from the Honduran Central Bank" to "give to Zelaya." She said giving the funds to Zelaya would guarantee he would use them to finance the "anarchy" in the streets which he hoped would de-stabilize the country. Nunez added that getting those funds back would have to be part of the agreement. CG replied that the IMF had made an independent decision not to recognize the de facto regime, based on the position of its member governments. A normalization of relations with the international community would likely result in the termination of sanctions currently in place as a result of the June 28 coup d'etat and non-recognition of the de facto

TEGUCIGALP 00000966 002 OF 002

regime. The concerns over Zelaya's handling of the funds once he was returned to office could be addressed through the negotiations leading to that return. (Note: The IMF Country Representative, Mario Garza, told us that the member countries have instructed the IMF Board of Directors not to recognize the de facto regime and that they will issue a press statement regarding this matter on September 24 or 25. The press release will not address the issue of access to funds made available to Honduras at the Honduran Central Bank's account at the IMF. As of this time, the Zelaya government does not/not have access to these funds. If the IMF legal review determines that the Zelaya government can access these funds, the funds are only supposed to be used for Balance of Payments purposes. See refs C and D. End Note).

¶5. (C) Comment: Nunez, a serious financial official, seemed genuinely shaken by the IMF's decision, more so than by the recent visa revocations. Combined with the current security instability, that decision will have an immediate and profound negative effect on the country's financial state, a fact of which Nunez is clearly aware. Nunez also expressed concern over the rumor she had heard that former Zelaya cabinet members were heading to Zelaya's "command center" at the Brazilian Embassy to set up a "parallel government," a sign that the de facto regime may sense it is losing control. End Comment.

LLORENS